

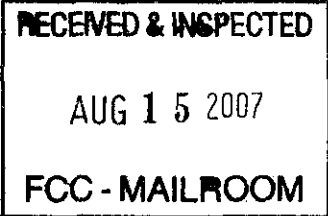


Business Partners & Certified Public Accountants

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August 2, 2007

Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Washington, DC 20554



**Re: Implementation of the Pay Telephone Reclassification and  
Compensation Provisions of the Telecommunications Act of 1996,  
CC Docket No. 96-128**

Dear Ms. Dortch:

Attached please Primus Telecommunications payphone compensation compliance report which we have prepared. Primus Telecommunications is required to conduct and submit a payphone compensation audit and report to the FCC per the requirements of 47 C.F.R. Section 64.1310, as discussed in the FCC Report and Order released on October 3, 2003 in the above docket. Please let me know if you have any questions.

Sincerely,

Joe Solana  
Managing Partner

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## Primus Telecommunications

*Independent Auditor's System Report  
For Payphone Compensation  
As required by FCC Order 03-235  
Docket No. 96-128*

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1200 Old Alpharetta Road  
Alpharetta, GA 30005

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## **Independent Auditor's System Audit Report**

Board of Directors  
Primus Telecommunications Inc.

We have examined Primus Telecommunications, Inc. call tracking system for payphone calls in compliance with FCC Order 03-235, Docket No 96-128, for the period Q4 2006. Management is responsible for compliance with those requirements. Our responsibility is to express an opinion on the companies compliance based on our examination.

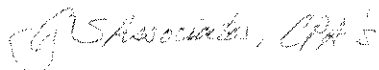
Our examination included procedures to obtain reasonable assurance about whether the controls included in our audit were suitably designed to achieve the control objectives, namely that their call tracking system accurately tracks payphone calls to completion and that the company satisfactorily complied with and applied these controls and such controls will be placed in operation consistently in the future.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the companies compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on compliance with specified requirements.

In our opinion, Primus Telecommunications complied, in all material respects, with the aforementioned requirements for the period mentioned through May 31, 2007. The company has sufficient controls in place to provide reasonable assurance to achieve the control objectives; namely that the call tracking system accurately and consistently tracks payphone calls to completion.

The description of policies and procedures concerning Payphone Compensation as of May 31, 2007, as well as information concerning tests of the operating effectiveness and Alternative Compensation Agreements includes the period of Q1 2007. Future projection of such information is subject to the inherent risk that, because of change, the description may no longer portray those procedures in existence. The potential effectiveness of specific controls is subject to inherent limitations and, accordingly, errors or fraud may occur and not be detected. Furthermore, the projection of any conclusions, based on our findings, to future periods is subject to the risk that, (1) changes made to the system or controls, (2) changes in processing requirements, or (3) changes required because of the passage of time may alter the validity of such conclusions.

This report is intended solely for the information and use of Primus Telecommunications and is not intended to be and should not be used by anyone other than the specified party.



GSA Associates  
CPA's & Business Partners  
July 15, 2007

## Overview of System Audit Requirements

This System Audit Report covers FCC Order (03-235, Docket No 96-128), effective July 1, 2004, requiring Interexchange Carriers (IXC's), Local Exchange Carriers (LEC's) and Switch Based Resellers (SBR's) to establish and maintain a comprehensive Call Tracking System (CTS) which accurately reports and compensates Payphone Service Providers (PSP's).

The Order calls for an independent third party audit report in conformity with AICPA standards. The independent auditor's report shall conclude whether the SBR, LEC, or IXC complied, in all material respects, with the factors set forth (below) regarding the CTS as follows:

- 1) Whether the SBR's procedures accurately reflect the Commission's rules, including the attestation reporting requirements.
- 2) Whether the SBR has a person or persons responsible for tracking, compensating, and resolving disputes concerning payphone completed calls.
- 3) Whether the SBR has effective data monitoring procedures.
- 4) Whether the SBR adheres to established protocols to ensure that any software, personnel, or any other network changes do not adversely affect its payphone call tracking ability.
- 5) Whether the SBR has created a compensable payphone call file by matching call detail records against payphone identifiers.
- 6) Whether the SBR has procedures to incorporate call data into required reports.
- 7) Whether the SBR has implemented procedures and controls needed to resolve disputes.
- 8) Whether the independent third-party auditor can test all critical controls and procedures to verify that errors are insubstantial, and
- 9) Whether the SBR's have adequate and effective business rules for implementing and paying payphone compensation.

## Background

Primus Telecommunications (PRIMUS) resells telecommunications services to both wholesale and prepaid customers. PRIMUS provides these services in the United States via its Digitalk platform. All prepaid calls are terminated over the PRIMUS network located in New York and Virginia. PRIMUS utilizes the services of an outside clearinghouse, Billing Concepts (BCI) to process payments to PSP's. In the case of off net calls, PRIMUS has executed an opt in agreement with their carrier to compensate PSP's.

## Audit Process & Procedures

PRIMUS has been compensating PSP's through its primary carrier(s) (Sprint) since the order was established at 100% of all calls. Recently Primus implemented a call tracking system and contracted with BCI, a payphone clearinghouse to process payments to PSP's beginning with Q2 of 2006 for all on net calls. Off net calls are compensated through the carrier at 100%. The primary focus of our audit was the testing of PRIMUS's call tracking system, policies and procedures. Specifically, is PRIMUS able on a consistent basis to identify, isolate and report on completed calls to its platform? We performed test calls to the PRIMUS platform and reviewed CDR to test the effectiveness of the Call Tracking System. PRIMUS has contracted with BCI for payment clearinghouse services. As such, GSA will certify PRIMUS's compliance on points 1 – 5, 8, and 9 inclusive, points 6 and 7 are covered under BCI's SAS 70 attached as appendix 'A'. Through interviews with key personnel we will determine if those employees charged with operating and maintaining the call tracking system is educated and up to date on the current FCC order. These interviews will help to determine if the appropriate controls are in place to guarantee consistency and accuracy in the compensation and call tracking systems.

The guidelines used to conduct and prepare this report are established in the AICPA's Statements on Standards for Attestation Engagements (SSAE), specifically, SSAE 10, AT Section 101 *Attest Engagements* and AT Section 601 *Compliance Attestation*.

Those standards required that we:

- 1) Have adequate technical training and proficiency in the attest function.
- 2) Perform the attest function using practitioners having adequate knowledge of the subject matter.
- 3) Evaluate the subject matter against suitable criteria such as:
  - a) *Objectivity* – free of bias
  - b) *Measurability* – reasonable consistent measurements, qualitative or quantitative, of subject matter.
  - c) *Completeness* – sufficiently complete so that relevant factors that would alter a conclusion about subject matter are not omitted.
  - d) *Relevance* – criteria relevant to the subject matter.
- 4) Maintain an independent mental attitude in all matters relating to the engagement.
- 5) Exercise due professional care in the planning and performance of the engagement.
- 6) Obtain sufficient evidence to provide reasonable basis for our conclusion expressed in the report.

***FACTOR 1: Payphone Compensation Policies & Procedures.***

PRIMUS has established and is currently documenting policies & procedures specifically in compliance with the Dial Around Compensation FCC order. Primus initially consulted with GSA prior to the implementation of its call tracking system in order to assist in the design and build of their system in accordance with FCC requirements. The recommendations from GSA have been implemented. Client has presented its documentation to GSA. GSA also witnessed and/or tested all of the points as listed below. These include, but are not limited to:

1. Backup Policy – Documented.
2. Log Tracking & Archive Process – Documented.
3. Core Security Policy – Offsite – Documented.
4. Physical Security Policy.
  - a. Onsite – Tested.
  - b. Offsite – N/A
5. Host / Server Security Policy – Offsite – Documented.
6. Change Control Policy – Documented.
7. Password Policy – Documented.
8. Information Access Control Policy – Documented.
9. Monitoring Policy – Documented.
10. Firewall Policy – Tested.

PRIMUS has also drafted and implemented a dispute resolution process which includes but is not limited to:

1. Responsible parties
2. Data file Retention period
3. Compensation file Retention period
4. Compensation reporting requirements

PRIMUS has in place a detailed process document which outlines the steps necessary to retrieve and consolidate data from its two platforms. This procedure guarantees that the integrity of data on a month by month/quarter by quarter will be consistent. This document includes but is not limited to:

1. Responsible parties
2. Location of databases
3. Steps for uploading data to clearing house.

GSA has reviewed these documents and finds them to be complete and substantiated. These procedures have been implemented in the organization and are reviewed quarterly by management.

## ***FACTOR 2: Responsible Dedicated Staff.***

PRIMUS has dedicated staff responsible for tracking, compensating, reporting and resolving disputes concerning completed calls as follows:

1. CFO, Tom Kloster, is responsible for drafting necessary business requirements.
2. CIO, John Coltman, is responsible for developing & maintaining systems to create payphone call records from switch records.
3. CIO, John Coltman, is responsible for implementing & maintaining procedures that check the validity of identified payphone records.
4. CIO, John Coltman, is responsible for implementing & maintaining procedures that create final compensation data sets.
5. CIO, John Coltman, is responsible for developing compensation tracking reports.
6. CFO, Tom Kloster, is responsible for dispute resolutions.

These individuals have expertise regarding the systems and procedures and are involved on day to day basis with the process.

## ***FACTOR 3: Data Monitoring Procedures.***

PRIMUS has developed a systematic reporting process to generate daily, monthly and quarterly reports on payphone call counts, numbers called, and info digits used as a subset of their total CDR accumulation. Currently PRIMUS is utilizing the services of BCI, a payphone compensation clearing house to fulfill its requirements to PSP's for all On Net calls. As such, BCI has provided to PRIMUS formats and data requests to facilitate the transfer of data and the processing and payment of compensation to PSP's. Management regularly reviews this data on a monthly and quarterly basis for accuracy and completeness. GSA has been provided with this data and has determined that PRIMUS can produce reports on a regular basis that reflect:

- a) Trends of switch traffic volumes entering their payphone compensation systems.
- b) Possible fraud on potential illegitimate payphone calls.
- c) Trends of excluded calls.
- d) The capability to develop customized reports to help resolve disputes.
- e) Capacity for other appropriate trending reports.

Switch information is extracted every 2 minutes which insures that in the event of switch outage the chance of lost CDR is minimized. PRIMUS regularly reviews carrier CDR in relation to its switch CDR, errors are immediately addressed with the carrier in question, and corrections are made. GSA found that Primus is proactive in their monitoring of traffic and switch performance.



#### ***FACTOR #4: Compensation Assurance Protocols.***

PRIMUS has established procedures (refer to Audit Factor #2) which insure that the company will remain in compliance with current FCC requirements. These procedures ensure that software, personnel, or any other network changes or additions to the payphone compensation process are done in accordance with guidelines and approvals documented in the aforementioned procedure section and do not adversely affect its call tracking capabilities. PRIMUS has placed the ownership of these processes with senior management, insuring that no changes which could jeopardize the process can occur. GSA was provided with these documented procedures and reports. In addition, by utilizing the services of BCI, Regulatory Legal Counsel; and GSA, PRIMUS will remain informed of all pertinent changes to the FCC mandated compensation regulations. PRIMUS maintains at a minimum the 6 quarters of past CDR and Compensation files required by the FCC.

#### ***FACTOR #5: Compensable Call File and Reporting.***

PRIMUS retrieves all data directly from carrier and company CDR and prepares online reports for utilization in the compensation process. PRIMUS has documented this process including the various queries utilized to extract the data. PRIMUS provided samples of this CDR, from its platform in two formats. These two formats included the raw switch data from the server and the BCI formatted data. PRIMUS also provided CDR specifically for test calls that GSA made for review. We determined that this file contained all of the necessary data that is required by the clearinghouse to perform the ANI match and to prepare detailed reports for compensation. PRIMUS achieved 100% accuracy with test calls conducted. PRIMUS also indicated that its compensation captures all traffic from in bound toll free numbers regardless of what the utilization of the toll free is. By doing this PRIMUS insures that it will capture all payphone calls including those which are pointed at its customer service center.

#### ***FACTOR #6: Required Reporting.***

BCI through contractual arrangements with PRIMUS is responsible for this factor. (See appendix "a"). PRIMUS receives summary data from the clearing house each quarter. Tom Kloster, CFO, reviews this data for accuracy before remitting to BCI. GSA has reviewed this process and tested for accuracy. The Q406 data was complete and accurate. PRIMUS does not report Off Net calls to BCI since they are compensated under an opt in agreement with their carrier.

## ***FACTOR #7: Dispute Resolution Procedures.***

### **7.1 BCI Contractual Obligation**

BCI through its contract with PRIMUS will handle all disputes that arise from the matching and payment of payphone compensation. It is their obligation to keep current data for payphone ownership to insure accurate and timely payments. See appendix 'A'; BCI SAS 70.

### **7.2 PRIMUS Dispute Resolution Process**

PRIMUS has assigned their CFO, Mr. Tom Kloster, as the individual responsible for processing payments to PSP's and aggregators through its clearing house BCI and for managing the in house payphone compensation system. Mr. Kloster with assistance from Mr. Coltman is most capable of handling disputes arising from the compensation method. PRIMUS has documented its dispute resolution process. Since PRIMUS has just begun processing call records through its compensation system and compensating through BCI, there are not any disputes to review. GSA has reviewed both processes and found them to be complete and all encompassing.

## ***FACTOR #8: Independent Testing of Critical Controls and Procedures.***

### **8.1 Payphone Call Tracking System Test**

PRIMUS operates as a provider of prepaid telecom products. Their platforms are capable of capturing all relevant components of the call stream from origination to completion. This ability is the backbone of its call tracking system. In order to test the accuracy of the call tracking system, PRIMUS provided GSA with several test pins. GSA used these pins to conduct test calls from several sources including payphones, landlines and wireless lines. Our test calls were both completed and incomplete. We determined the following:

1. All necessary information, related to call origination, required to record payphone calls appears. PRIMUS defines procedures for identifying the accurate Payphone Operator code from the ANI data transmission and, further, identifies their coding procedures for segmenting completed calls with payphone codes.
2. Toll Free Number was present. This is used to determine if compensation should be paid, or not paid based on alternative compensation agreements.
3. Date and Time stamp, necessary to process a compensable call in the appropriate quarter.
4. Payphone Identifier, to further help identify a compensable call.

## **8.2 Alternate Compensation Agreements**

PRIMUS does not currently have any alternate compensation agreements with its wholesalers or customers.

### ***FACTOR #9: Adequate and Effective Business Rules.***

Through observations and interviews of key personnel at PRIMUS, GSA found that all of the procedures documented here are instituted throughout the organization. The personnel assigned to various aspects of the system are well versed in the process, and understand the rules and consequences of non compliance. Therefore with the combination of education, procedures, executive oversight and outside consulting, PRIMUS has in place adequate and effective business rules for implementing and paying payphone compensation in a timely and accurate basis. Because this process is new to PRIMUS, it is probable that revisions and modifications will take place before the next audit period. GSA believes that PRIMUS has in place adequate controls to insure that the integrity of the compensation system will be maintained.

## **Audit Conclusions**

### ***1. FCC Relevant Rules Accurately Stated***

PRIMUS has established, defined, and documented in accordance with relevant FCC Rules each of the following:

- Per-call rate.
- Per-phone requirements.
- Calls included as compensable calls
- Definition of completed call.
- Reporting requirements.
- Dispute resolution
- Data Storage Requirements.

### ***2. Established Security Protocols***

PRIMUS has implemented security protocols to limit access to call tracking systems in a controlled environment to authorized personnel. Monitoring tracking systems have been installed to limit access to the company's call tracking system. Access to compensation systems is controlled and monitored as well as limited to authorized personnel through security measures which have been implemented.

### **3. Audit Findings**

PRIMUS a Virginia Corporation with principal operations in McLean Virginia is a provider of prepaid telecom products and services. PRIMUS provides these services from its operations in Mclean Virginia as well as from co-location facilities across the United States and Internationally GSA has validated payments made through Q4 of 2006, therefore we cannot comment on the Company's compliance for payments prior to the period audited. However, Primus was compensating PSP's through its primary carriers for all calls prior to implementing its call tracking system and client was not aware of any disputes remaining from that period. GSA has verified that PRIMUS has a viable compensation system that accurately tracks and reports payphone calls. Through interviews with key company personnel, it is clear that the Company will be able to continue to operate their compensation system accurately and consistently in the future.



**PADGETT, STRATEMANN & CO., L.L.P.**

Certified Public Accountants and Business Advisors

**Independent Service Auditors' Report**

To the Board of Directors  
Billing Concepts, Inc.  
San Antonio, Texas

We have examined the accompanying description of the controls of Billing Concepts, Inc. ("BCI") applicable to recordkeeping, reporting, and payment services provided to its clients by the Dial Around Compensation ("DAC") Team of BCI. Our examination included procedures to obtain reasonable assurance about whether (1) the accompanying description presents fairly, in all material respects, the aspects of BCI's controls as it relates to DAC; (2) the controls included in the description were suitably designed to achieve the control objectives specified in the description, if those controls were complied with satisfactorily, and user organizations applied those aspects of internal control contemplated in the design of BCI's controls; and (3) such controls had been placed in operation as of March 31, 2006. The control objectives were specified by the management of BCI. Our examination was performed in accordance with standards established by the American Institute of Certified Public Accountants and included those procedures we considered necessary in the circumstances to obtain a reasonable basis for rendering our opinion.

In our opinion, the accompanying description of the aforementioned controls of BCI, presents fairly, in all material respects, the relevant aspects of BCI's controls that have been placed in operation as of March 31, 2006. Also, in our opinion, the controls, as described, are suitably designed to provide reasonable assurance that the specified control objectives would be achieved if the described controls were complied with satisfactorily and user organizations applied those aspects of internal control contemplated in the design of BCI's controls.

In addition to the procedures we considered necessary to render our opinion as expressed in the previous paragraph, we applied tests to specified controls, as listed in Section IV, to obtain evidence about their effectiveness in meeting the related control objectives during the period from April 1, 2005 to March 31, 2006. The specific control objectives; controls;

Page 2

and the nature, timing, extent, and results of the tests are listed in Section V. This information has been provided to DAC customers of BCI and to their auditors to be taken into consideration, along with information about BCI's customers' internal controls, when making assessments of control risk for BCI's customers. In our opinion, the controls that we tested (Section V) were operating with sufficient effectiveness to provide reasonable, but not absolute, assurance that the control objectives specified in Section IV were achieved during the period from April 1, 2005 to March 31, 2006.

The relative effectiveness and significance of specific controls at BCI and their effect on assessments of control risk at BCI customers are dependent on their interaction with internal control, and other factors present at individual BCI customers. We have performed no procedures to evaluate the effectiveness of internal control at individual BCI customers.

The description of controls at BCI is as of March 31, 2006, and information about tests of the operating effectiveness covers the period from April 1, 2005 to March 31, 2006. Any projection of such information to the future is subject to the risk that, because of change, the description may no longer portray the system in existence. The potential effectiveness of specific controls at BCI is subject to inherent limitations and, accordingly, errors or fraud may occur and not be detected. Furthermore, the projection of any conclusions, based on our findings, to future periods is subject to the risk that (1) changes made to the system or controls, (2) changes in processing requirements, or (3) changes required because of the passage of time may alter the validity of such conclusions.

This report is intended solely for use by management of BCI, its DAC customers, and the independent auditors of such customers.

*Radgett, Shattman & Co*

Certified Public Accountants  
May 18, 2006